

# **California School-Based MAA Manual**

## **SECTION 2**

### **Medi-Cal Background**

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## **Overview**

*Throughout the School Manual, the terms “school” and/or “school district” are used to represent all types of school-related administrative claiming units (e.g., LEAs, consortia).*

The Medicaid program is a national health care program designed to furnish medical assistance to families; to the aged, blind, disabled; and to individuals whose income and resources are insufficient to meet the cost of necessary medical services. The program, established under Title XIX of the Social Security Act, is administered by Centers for Medicare and Medicaid Services (CMS), which is part of the federal Department of Health and Human Services (DHHS). Medicaid is a state/federal partnership under which the Federal Government establishes basic program rules. In California, it is referred to as Medi-Cal. Each state administers the program and can develop its own rules and regulations for program administration within the confines of the federal rules.

States must meet certain federal requirements to participate in the Medicaid program. States that meet these requirements receive federal funding in the form of Federal Financial Participation (FFP) for all Medicaid expenditures. The FFP for MAA is 50 percent.

The primary requirements imposed on states that wish to participate in the Medicaid program relate to eligibility for the program and to services covered by the program. Federal Medicaid law defines certain categories of eligible individuals and specific types of health care coverage that must be provided by any state wishing to operate a Medicaid program. Title XIX also offers a variety of optional eligibility groups and types of service, which a state may or may not choose to cover. In addition, the Federal Government establishes general standards, by which states must operate their Medicaid programs; however, development of program options and the details of program operation and administration are the responsibility of the states themselves.

## **Medicaid in the School Setting**

Medicaid is a critical source of health care coverage for children. The Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program is Medicaid's comprehensive and preventive child health program for individuals under the age of 21. EPSDT services include periodic health screening, vision, dental, and hearing services. The Medicaid statute also requires that states provide any medically necessary health care services listed in Section 1905(a) of the Social Security Act to an EPSDT recipient even if the services are not available under that state's Medicaid plan to the rest of the Medicaid population. States are required to inform Medicaid eligibles under age 21 about EPSDT benefits; set distinct periodicity schedules for screening, dental, vision, and hearing services; and report EPSDT performance information annually to CMS. For more information about EPSDT, please refer to the CMS Medicaid website at [www.cms.gov](http://www.cms.gov).

Administrative activities discussed in the School Manual that are claimable to Medicaid must be those associated with or in support of the provision of Medicaid-coverable medical services. The coverable Medicaid medical services that are provided in schools are:

1. Those that are specified in an Individualized Education Plan (IEP) and
2. EPSDT-type primary and preventive services provided in those schools by providers who also bill non-Medicaid children.

Other administrative activities not associated with a covered Medicaid medical service may be covered in schools: these include conducting Medicaid outreach; facilitating Medicaid eligibility determinations; and providing medical/Medicaid-related training, translation, and general administration. Schools can provide their students a wide range of health care and related services, which may or may not be reimbursable under the Medicaid program. The services can be categorized as follows:

- **IDEA-related health services.** The Individuals with Disabilities Education Act (IDEA) was passed to “ensure that all children with disabilities have available to them a free appropriate public education that emphasizes special education and related services designed to meet their unique needs and prepare them for employment and independent living (Section 601[d]).” IDEA authorizes federal funding to states for medical services provided to children through a child’s IEP, including children who are covered under Medicaid. In 1988, Section 1903(c) of the Social Security Act was amended to permit Medicaid payment for medical services provided to Medicaid-eligible children under IDEA through a child’s IEP.
- **Section 504-related health services.** Section 504 of the Rehabilitation Act of 1973 requires local school districts to provide or pay for certain services to make education accessible to handicapped children. These services may include health care services similar to those covered by IDEA and Medicaid. These services are described in an Individualized Service Plan (ISP) and are provided free of charge to eligible individuals. These services may NEVER be billed to Medicaid because the Department of Education is a liable third party.
- **General health care services.** These services are typically mandated by the school district or state and include health care screenings, vision exams, hearing tests, a scoliosis exam, and other services, provided free of charge to all students. Services provided by the school nurse (e.g., attending to a child’s sore throat, dispensing medicine) may also fall into this category. These general health care services often resemble EPSDT services. These services may be reimbursed by Medicaid, subject to third party and free care provisions.

Federal funding is available for the cost of administrative activities that directly support efforts to identify and enroll potential eligibles into Medicaid and that directly support the provision of medical services covered under the state Medicaid plan. To the extent that school employees perform administrative activities that are in support of the state

Medicaid plan, federal reimbursement may be available. However, Medicaid Third Party Liability (TPL) rules and CMS's free care policy limit the ability of schools to bill Medicaid for some of these health services and associated administrative costs.

- **TPL requirements** preclude Medicaid from paying for Medicaid-coverable services provided to Medicaid beneficiaries if another third party (e.g., other third party health insurer or other federal or state program) is legally liable and responsible for providing and paying for the services.
- **The “free care” policy** precludes Medicaid from paying for the costs of Medicaid-coverable services and activities that are generally available to all students without charge and for which no other sources of reimbursement are pursued.

These policies preclude Medicaid reimbursement for either Section 504 services or general health care services, because schools are legally liable and responsible for providing and paying for these services and activities. CMS's free care policy also precludes Medicaid reimbursement, because these services and activities are provided free of charge to all students. **To the extent that health care services are not Medicaid reimbursable under these policies, associated administrative costs also may not be claimed.** In order for Medicaid payments to be made available for general health care services, the school providers must:

1. Establish a fee for each service that is available,
2. Collect third party insurance information from all those served (Medicaid and non-Medicaid), and
3. Bill other responsible third party insurers.

Schools are legally liable to provide IDEA-related health services at no cost to eligible students; however, Medicaid reimbursement is available for these services, because Section 1903(c) of the Social Security Act allows Medicaid to be primary to the U.S. Department of Education for payment of the health-related services provided under IDEA. Medicaid covers services included in an IEP under the following conditions:

- The services are medically necessary and are included in a Medicaid-covered category (e.g., speech therapy, physical therapy);
- All other federal and state Medicaid regulations are followed, including those for provider qualifications; comparability of services; and the amount, duration, and scope provisions;
- The services are covered by Medicaid or are available under EPSDT; and
- The medical service must be provided to a Medicaid-eligible student.

CMS recognizes that Medicaid TPL rules and free care provisions serve to limit the ability of schools to bill Medicaid for covered services and associated administrative costs provided to Medicaid-eligible children. While there are exceptions to these

policies for Medicaid services provided to children with disabilities pursuant to an IEP under IDEA, many schools provide a range of services that would not fall under these exceptions, including services provided by school nurses.

### **Eligibility Requirements**

As noted above, Title XIX was originally designed to serve the needs of families and of aged, blind, and disabled persons whose income is insufficient to pay the costs of their medical expenses. Since the inception of the program in 1965, however, many new categories of eligibles have been added to the program. Some of these eligible groups are “mandatory coverage groups”; that is, any state wishing to participate in Medicaid must cover these individuals as a condition of participation. Other groups of eligibles are “optional coverage groups”; that is, the state has the option to cover or to refuse to cover these individuals. Under federal Medicaid law, there are currently about 50 categories of eligibles, nearly half of which are mandatory coverage groups. California covers all mandatory groups and the vast majority of the optional groups.